

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AF-10 ARA-10
EA-10 NEA-11 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
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USMTN

ACTION STR

STR PASS CODEL

E.O. 11652, N/A
TAGS: ETRD, MTN
SUBJECT: U.S. CANADA REVIEW BILATERAL, JUNE 7:
SUPPLY/EXPORT CONTROLS

1. IN DISCUSSION OF THIS TOPIC AT THE REVIEW BILATERAL
REPORTED SEPTEL, GREY AND CLARK STRESSED THAT CANADA WAS
WILLING TO NEGOTIATE ON "INCREASED RIGHTS AND OBLIGATIONS
IN THE GATT" ON EXPORT CONTROLS BUT U.S. EFFORT TO DEVELOP
GENERALIZED AGREEMENT ON SUBJECT NOW WOULD SERIOUSLY ERODE
CANADIAN BARGAINING POSITION VIS-A-VIS JAPAN. CANADA
MOREOVER EXPECTED TO BE PAID, SINCE RESULT WOULD IN-
EVITABLY RESTRICT CANADIAN FREEDOM OF ACTION. THEY FOUND
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U.S. PAPER (INF/20) UNSATISFACTORY IN THAT IT WAS NOT
CLEAR AS BETWEEN MORAL OBLIGATIONS, POLITICAL COMMITMENTS,
LEGAL REQUIREMENTS, ETC. WHILE (IN THEIR VIEW) STILL
ATTEMPTING TO ADD QUITE A BIT TO THE EXISTING GATT RULES.

2. U.S. ACKNOWLEDGED THAT OUR PAPER DID IN SOME AREAS GO
BEYOND THE EXISTING GATT, IN ORDER TO CLARIFY AMBIGUOUS

PROVISIONS, BUT ARGUED THAT IN MANY CASES THE CANADIAN OBJECTIONS STEM FROM OUR DIFFERING INTERPRETATIONS OF EXISTING GATT LANGUAGE. ALSO, WE DID NOT HAVE THE SPECIFIC PRODUCT EMPHASIS IN MIND WHICH WAS THE BASIS OF THE CANADIAN ARGUMENT FOR PAYMENT. WE THOUGHT OUR PROPOSALS WOULD REQUIRE A MODEST COMMITMENT FROM ALL EXPORTERS FOR THE MODEST BENEFIT OF ALL IMPORTERS--NOTING THAT ALL GATT MEMBERS BELONG TO BOTH CATEGORIES.

3. CANADIANS ASSERTED (AS THEY HAVE OCCASIONALLY OVER PAST 18 MONTHS) THAT U.S. "WAS UNDERCUTTING CANADA'S BARGAINING LEVERAGE WITH JAPAN" BY "PUSHING SO HARD AT THIS TIME" ON THIS ISSUE. GREY STATED THEY WERE ALSO SUFFICIENTLY DISSATISFIED WITH THE SPECIFICS OF THE U.S. PAPER THAT CANADIAN DEL IS CONSIDERING CIRCULATING AN ALTERNATIVE PAPER PRESENTING PROPOSALS FLOATED ORALLY WITH U.S. DEL MAY 25 FOR A MUCH MORE SUBSTANTIVE AND CONTRACTUAL EXPORT CONTROLS AGREEMENT--ONE IN WHICH THEY COULD OBTAIN THEIR "PAYMENT" DIRECTLY. (FYI: ORAL CANADIAN PROPOSAL WAS LARGELY A REARRANGEMENT OF PIECES OF OLD SECTOR PROPOSALS, STILL WITH HEAVY EMPHASIS ON PRODUCT SPECIFIC APPLICATION. END FYI) U.S. QUESTIONED WHETHER CIRCULATION OF ANOTHER PAPER AT THIS STAGE, ESPECIALLY ONE WHICH UPPED THE STAKES OF SOME BARGAIN ON SUPPLY COMMITMENTS AND MARKET ACCESS (WHICH WE AND CANADIANS KNOW HAS PROVOKED NO SERIOUS INTEREST SO FAR), LIMITED OFFICIAL USE

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WOULD REALLY LEAD TO RESULTS. WE NATURALLY DISCOURAGED THIS SUGGESTION AND SAID WE FELT THAT WOULD BE DECIDEDLY UNHELPFUL.

4. COMMENT. THIS DISCUSSION WAS MARKED BY MUCH LESS POLEMICAL TONE THAN PREVIOUS ENCOUNTERS. ALTHOUGH CANADA PROFESSED WILLINGNESS TO ENGAGE IN DRAFTING WORK ON SOME SORT OF EXPORT-CONTROLS AGREEMENT WAS A DEPARTURE FROM PREVIOUS OPPOSITION, AT THE SAME TIME WE DOUBT CANADIANS WILL GET FROM JAPAN ENOUGH OF WHAT THEY WANT TO PERMIT THEM--SOLELY ON THAT BASIS--TO "BUY" AGREEMENT ON EXPORT CONTROLS.GIVEN VERY HEAVY CRITICISM AND AT LEAST TACTICAL OPPOSITION TO OUR IDEAS SO FAR FROM VAST MAJORITY OF LDCS, CANADA, AND AUSTRALIA, U.S. DEL BELIEVES THERE IS NO WAY JAPANESE CAN BE UNDER ANY ILLUSION THAT U.S. INITIATIVE ON GENERAL EXPORT CONTROL UNDERSTANDING WILL ACHIEVE BENEFITS FOR JAPAN IT WOULD OTHERWISE HAVE TO NEGOTIATE ON QUID PRO QUO BASIS WITH CANADA. IT MAY BE, THEREFORE, THAT THIS IS CANADIAN TACTIC FOR EXPLAINING TO HOME AUDIENCE WHY THEIR ATTEMPT TO PLAY SUPPLY CHIP IN MTN HAS BROUGHT NO RESULTS. END COMMENT.

5. DRAFTED BY HARTZELL MCDONALD

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